

Date: May 31, 2012

To: Thomas J. Bonfield, City Manager
Through: Theodore L. Voorhees, Deputy City Manager
From: Donald F. Greeley, Director, Water Management
Jerry F. Morrone, Utility Engineering Supervisor
Subject: Recommendation to Enter Into a Contract With Methane Power-Durham for Landfill Gas Collection System Operations and Maintenance

Executive Summary

For the last 2 years, the City has been operating under a gas-sales agreement with Methane Power-Durham, a subsidiary of Methane Power, Inc. This agreement was written to allow the City, if desired, to enter into an agreement for the maintenance of the landfill gas collection system. Water Management staff wish to exercise this option of the agreement and contract with Methane Power-Durham to provide these maintenance services. The contract strictly limits the contractor from performing any significant compliance related activities as these are currently handled under a separate contract devoted to groundwater and methane monitoring compliance.

Recommendation

The Department of Water Management recommends that the City Council:

1. Authorize the City Manager or his designee to execute a contract with Methane Power Operations, Inc. for the maintenance of the Landfill gas extraction well field for a base annual cost of \$40,000.
2. Authorize Staff to reimburse the Contractor under the terms of the contract for emergency work and repair work as described therein and
3. Authorize the City Manager or his designee to renew the contract on a recurring annual basis and adjust the contract to reflect inflation and minor additional services for a maximum increase of 5% per year.

Background

Department of Water Management personnel manage various maintenance contracts for the City of Durham's closed Sanitary Landfill. Among these maintenance contracts are the Landfill Gas (LFG) Collection System maintenance contract and the LFG to Energy contract. The LFG Collection System Maintenance contract (hereafter the Maintenance Contract) has been performed by Carlson Environmental Consultants for two years prior to 2011, and the LFG to Energy contract has been performed by Methane Power-Durham for the past 3 years as well.

The LFG Maintenance Contract expired and we have been self performing maintenance and requesting assistance on a monthly basis from MP Durham. It is desired to award the next contract period to Methane Power-Durham through the terms of the "LFG to Energy" contract. The "LFG to Energy" agreement was specifically written to allow the City to enter into an agreement with Methane Power-Durham for LFG maintenance if the City wished to

do so and request assistance on an as needed basis. City Staff and MP Durham would prefer the clarity of a separate and detailed contract.

Awarding the LFG Maintenance contract to Methane Power-Durham would improve the landfill maintenance program in the following ways:

- simplify management of the landfill by having only a single contractor responsible for two related efforts (LFG collection and LFG conversion to energy);
- operate the collection system in a more efficient manner to supply high quality gas to the “LFG to Energy” system, and our new flare system;
- receive the same level of LFG collection system maintenance at nearly half the price provided by Carlson;

In order to assure that operation of the LFG collection system does not interfere with the City’s successful efforts of managing methane migration, DWM has negotiated a compliance services contract with another contractor to perform semi-annual reviews of Methane Power-Durham operations and confirm that all operations of the collection system are in the best long term interests of the City and closing the landfill. Methane Power-Durham will not be responsible for any permit requirements except maintaining a maintenance log and reporting any shutdowns of the collection system to City Staff. For these reasons, Staff recommends that we execute the agreement on a recurring annual basis for the life of the landfill gas sales contract or until the parties determine this contract is not in each of our best interest.

Issues and Analysis

Water Management staff is requesting the right to exercise a negotiated clause in the “LFG to Energy” contract. Staff believes this is justified and in the best interests of the City for the following reasons:

- 1) The contractor Methane Power Operations is currently on-site and has demonstrable capabilities in this field to fully execute all the work under the terms of the contract.
- 2) Introducing another contractor into the landfill would add additional administrative and coordination effort and would not offer any value for the City.
- 3) Second-party review has been negotiated into a proposed compliance contract to assure the long-term interests of the City, i.e., closing the landfill, are met.

Alternatives

Alternative 1: Do not enter into a formal contract and do all work on a running Purchase Order basis. This is not recommended because it does not provide the clarity of terms of the contract provided

Alternative 2: Award the contract through a competitive bid process. This is not recommended because even if a contractor could come in with a comparable price for the work, the City’s value in having a single contractor responsible for the system could not be provided by going to another contractor.

Financial Impact

This represents a significant cost savings from previous year’s maintenance activities which included \$24,000 for a part time operations employee and an additional \$30,000 of savings by using an on-site contractor as opposed to paying for travel and mobilization for other similar contractors.

Part of the savings are offset by diverting compliance related responsibilities to other Contractors working with the City on landfill permit compliance (specifically see contract 9488

with Golder Associates). The remaining savings will be used for outstanding maintenance items. The funds are available in the Landfill operating budgets, 5400P710 728800. The first \$10,000 will be encumbered from FY2012 funds. The remaining \$30,000 for the contract will be encumbered out of FY 2013 funds.

SDBE Summary

The Department of Equal Opportunity/Equity Assurance did not review this item for compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.